

## **MINUTES**

### **MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION**

#### **JOINT SUBCOMMITTEE ON EDUCATION & CULTURAL RESOURCES**

**Call to Order:** By Chairman Royal Johnson, on February 22, 1993,  
at 7 a.m.

#### **ROLL CALL**

**Members Present:**

Rep. Royal Johnson, Chair (R)  
Sen. Don Bianchi, Vice Chair (D)  
Sen. Judy Jacobson (D)  
Rep. Mike Kadas (D)  
Rep. Ray Peck (D)  
Sen. Chuck Swysgood (R)

**Members Excused:** none

**Members Absent:** none

**Staff Present:** Taryn Purdy, Legislative Fiscal Analyst  
Skip Culver, Legislative Fiscal Analyst  
Doug Schmitz, Office of Budget & Program Planning  
Amy Carlson, Office of Budget & Program Planning  
Curt Nichols, Office of Budget & Program Planning  
Jacqueline Brehe, Committee Secretary

**Please Note:** These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

**Committee Business Summary:**

Hearing: NONE  
Executive Action: UNIVERSITY SYSTEM

#### **DISCUSSION ON UNIVERSITY SYSTEM ALLOCATION**

**SEN. DON BIANCHI** distributed and explained **EXHIBIT 1** which was a proposal for allocating reductions across the Montana University System (MUS). He began by reviewing the proposal presented by **REP. MIKE KADAS** at the previous meeting. **EXHIBIT 2** He noted that the committee had reduced the MUS by \$22.7 million and that the proposal of **EXHIBIT 2** was to include tuition additions (\$8.27 million) suggested by the OBPP excluding tuition indexing. He said his proposal subtracted the \$8.27 million from the \$22.7 million which resulted in a cut of about \$14 million. The \$14 million cut was redistributed based on FTEs. The percentage of cuts was listed in **EXHIBIT 1**. He stated that this proposal was a middle of the road approach which distributed the cuts more

equitably using the LFA base and current LFA FTEs.

**REP. RAY PECK** asked if the proposal involved tuition capping.

**SEN. BIANCHI** stated that allocations needed to be decided first and suggested revisiting the tuition issue later. **REP. KADAS** commented on the tuition issue. He said that if the committee adopted this proposal, he would suggest going back and separating resident and non-resident tuition and setting appropriate amounts for them. Then the committee could set another amount for tuition indexing making it the cap. **REP. PECK** related to the committee information given to him by the chief attorney of the legislative council. He said budget amendments could be prohibited, but not in the budget bill. It would need to be done statutorily. In addition, general fund could be backed out if tuition went above a certain level, but this restriction had to be set within appropriation authority.

**REP. KADAS** asked **SEN. BIANCHI** if his proposal cut the \$22.7 million in general fund reductions. **SEN. BIANCHI** replied that it depended on how one viewed it. This proposal replaced \$8.2 million in cuts with additional tuition. The general fund support would still be reduced by \$22.7 million. **Taryn Purdy, LFA**, asked what the total cut would be for a particular unit and what the total additional revenue would be going to any particular unit. **SEN. BIANCHI** said it would be the percentage of FTEs funded. The tuition was being distributed based on the FTE share. **Ms. Purdy** asked if MSU's share of the revenue would be \$1.28 million which then would be added to the general fund reduction. **SEN. BIANCHI** agreed. He noted that the actual cuts to the unit were in the fourth column in **EXHIBIT 1**.

**SEN. CHUCK SWYSGOOD** remarked that if \$8 million was being added back into the budgets after the original \$22.7 million cut, the system was only experiencing a \$14 million cut. **CHAIRMAN ROYAL JOHNSON** noted that the \$22.7 million general cut remained. The proposal used tuition to backfill some of the reduction.

**Ms. Purdy** referred to the fourth column in **EXHIBIT 1** and said it represented the net reduction in total funds to the units. Of this amount for each unit, the unit would get an increase in tuition that was anticipated for the unit. For example, MSU would receive a \$5.28 million general fund reduction and \$2.65 million in additional tuition. These two figures would be added together to give the total reduction in general fund for MSU. The \$2.65 million was taken from **EXHIBIT 2**. The total general fund reduction for EMC would be \$1.94 million (\$1.805 million + \$134,000).

**SEN. BIANCHI** reiterated that tuition was being used to reduce the general fund support to the MUS.

**REP. KADAS** distributed and explained **EXHIBIT 3** to the committee. He said the problem was to increase the size of the cuts to UofM over those in his original proposal and minimize those to EMC.

To increase cuts, one must increase the base. Under tuition indexing, UofM gets a bigger share of that money because it has a greater proportion of non-resident students. To increase the base, he said he included the additional tuition monies mentioned previously and also tuition revenue from tuition indexing. This procedure expanded the base, particularly for UofM. Using this amount, **REP. KADAS** explained that he set proportions between the units and used those proportions to reduce general fund. He said he then backed out tuition indexing revenue. He referred the committee to the third row of figures in **EXHIBIT 3** to the column labelled "Minus Reduction." This column showed the reduction from current level for each unit.

**REP. KADAS** said that to calculate the figures for the general fund, millage and other revenue difference for this proposal compared to current committee action, one would need to take the numbers in the "minus reduction" column and subtract them from the reductions to the campuses as they now stand under committee action. MSU would be \$1.9 million less than current committee action now has it. UofM would be \$4.2 million higher. EMC-\$1.8 million less. NMC-\$700,000 less. WMCUM-\$200,000 less. Montana Tech-\$600,000 more. He said the minus reduction column in **Exhibit 3** represented the cut from LFA current level.

**SEN. BIANCHI** said that the cut needed to be shared more equally than what **REP. KADAS** was suggesting. **REP. KADAS** noted that under current action of the committee, MSU gets \$80 million of general fund while the UofM gets \$68 million, and yet UofM gets a larger general fund cut than MSU. **SEN. BIANCHI** responded that it made more sense to return to the LFA current level which took peers and student enrollment into account. He noted that there has always been a difference in MSU and UofM due to the costs of the programs.

**CHAIRMAN JOHNSON** presented to the committee a suggestion for language to be added to HB 2 which would take the general fund budget cuts and disallow changes in tuition to make them up.

**EXHIBIT 4, #1** He also suggested additional language which acknowledged that inequities might exist and requested the Regents to return to the committee or the full appropriations committee with suggestions for tuition changes. **EXHIBIT 4, #2** **SEN. BIANCHI** asked if the **CHAIRMAN** was suggesting the committee stay where it presently was. **CHAIRMAN JOHNSON** said yes. He said the committee should now allow the Regents to wrestle with the distribution of cuts along with the presidents of the units and have them return with their suggestions.

**REP. KADAS** noted that under this system there was one campus which had less than one third of the student population and which would take more than 50% of the general fund cuts. **CHAIRMAN JOHNSON** responded that if the Regents felt that the situation was inequitable they could respond with their solution. **REP. KADAS** noted that a mistake was made with the original motion and committee members acknowledged it. If this direction were taken,

nothing was going to be done about it. **CHAIRMAN JOHNSON** said his proposal opens a door for the university system to give their opinion of what is wrong and how to solve the difficulty.

**REP. PECK** remarked that what would be done under this proposal would be to set the appropriation as it stands under current committee action and add tuition to get the revenue side. It would then be given to the OCHE, Regents and presidents for their reflection and reactions. If they wanted to make recommendations, they could do so to the full appropriations committee. **CHAIRMAN JOHNSON** reiterated his previous comments and added that if the committee directs that the additional tuition over a certain amount reverts to the general fund, it would be self defeating for the Regents to raise tuition.

The committee took a break and reconvened at noon. **SEN. JUDY JACOBSON** took **SEN. NATHE'S** place on the committee.

Tape No. 1:B:000

**REP. KADAS** reviewed the process which he used to develop his present proposal. **EXHIBIT 3** He noted that his methodology attempted to solve the problem created by the initial allocation which utilized FY92 and FY93 expenditure levels which were based on 1989-90 FTEs. Therefore, any campus which had experienced any additional growth in enrollment did not receive additional general fund money.

**SEN. BIANCHI** reviewed the process which he used to develop his present proposal. **EXHIBIT 1** He said the overall general fund reduction was the same, but the redistribution was more acceptable.

**CHAIRMAN JOHNSON** reminded the committee that it had set the spending level but had not set the tuition or revenue level.

**REP. TOM ZOOK, CHAIRMAN, APPROPRIATIONS COMMITTEE**, asked if **REP. KADAS'** proposal was based on enrollment figures for 1989-90. **REP. KADAS** explained that when the committee had originally made the allocations of the reductions, it used the expenditure levels for 1992-93. What set those levels were enrollments of 1989-90. He said he used the enrollment for 1991 and 1992 to distribute the general fund to the six units and then using that distribution, \$22.7 million was subtracted out on an equal basis.

**SEN. JACOBSON** asked **John Hutchinson, Commissioner of Higher Education**, how his office would administer the allocations if they were doing them. **Dr. Hutchinson** responded that the Regents have approved 21 options which could be used to meet the cuts resulting from committee action. It was the hope of the Regents to be given time to study how best to apply the cuts using the suggested options so that no campus was irreparably harmed. He noted that the hard work of the committee on this matter illustrated how difficult the task was. He said at this point in

time he did not know precisely how cuts should be allocated. **Dr. Hutchinson** commented on the language proposal by the **CHAIRMAN**. **EXHIBIT 4, #1** He said it assumed that the Regents were going to raise tuition and knowing that, it would result in an offset to the general fund. He said he was not sure the Regents would raise tuition under those conditions. If tuition were to be raised, the money needed to stay on the campuses. He said he had no problem with the second language proposal in **EXHIBIT 4**.

**SEN. JACOBSON** asked at what point the OCHE was planning to come to the legislature with its specific suggestions. **Dr. Hutchinson** said the Regents would come in once it was assured that the \$22.7 million was the bottom line for reductions. If cuts were less, a different plan would be needed. **SEN. JACOBSON** told the **Commissioner** that he could be assured the committee had settled on the \$22.7 million figure as a reduction to the MUS and the Regents should be addressing the distribution question right now. She said the committee was unwilling to give a lump sum to the Regents and they needed to return to the committee with their suggestions for the distribution of the \$22.7 million. **Dr. Hutchinson** replied that such a plan would take time. He also said that the Regents were not asking for a lump-sum budget. They were asking for the flexibility to administer the \$22.7 reduction across the system. The Regents would use LFA current level as the base from which to allocate or manage cuts. If the Regents had flexibility in allocating cuts, they could deal with the inequities.

**REP. PECK** commented that when the **Commissioner** stated it that way, he was talking about appropriation authority which the legislature would not grant. **Dr. Hutchinson** rephrased his statement and said the result would be that the committee will have made an allocation to the MUS. It will have divided that up according to LFA current level and it will have said to the MUS that it must cut that \$22.7 million more. The committee has told the MUS what the appropriation was.

**SEN. JACOBSON** posed the following question: If the Regents want a say in the allocation of the cuts, when are they going to come in and tell the legislature how to do it? **Dr. Hutchinson** replied they would come in when they knew for certain what the cut was. **SEN. JACOBSON** said there was not sufficient revenue to give the system more money than it was presently getting. **CHAIRMAN JOHNSON** remarked that the cut may be larger if revenue wasn't reached to balance the state budget.

**Dr. Hutchinson** said he would discuss the situation with the Chairman of the Board of Regents and see if the Regents were prepared to begin allocating cuts, however, the process would take time. He would be prepared later in the session to be more explicit about where cuts would be administered.

**REP. KADAS** said the minimum cut to the system would be \$22.7 million. He felt that **Dr. Hutchinson** was saying that he couldn't

return with any answers until later in the session because he didn't want to take precipitous action. He told the **Commissioner** that he was not taking advantage of the committee's offer to give his advice at this point. **Dr. Hutchinson** said he did not feel comfortable about any of the allocation options presented to the committee.

**SEN. SWYSGOOD** stated the committee had appropriated \$285,849,825 and had allocated it among the university units. He asked the **Commissioner** why he couldn't go to the Regents and get their reaction. **Dr. Hutchinson** said he could do so if this was the final allocation. He said he believed the committee was asking him in the next few minutes to tell it which of the proposed allocations was the best and he could not. Nor did he have a substitute to suggest. He said he would talk to the Regents regarding the finality of the \$22.7 million cut.

**EXECUTIVE ACTION ON UNIVERSITY SYSTEM**

Tape No. 1:B:834

**Motion/Vote:** **REP. KADAS** moved the adoption of his proposal **EXHIBIT 3** for the allocation of the reductions to the six university units. The motion **FAILED** 1 to 5 with **REP. KADAS** voting in favor.

**Motion/Vote:** **SEN. BIANCHI** moved the adoption of his proposal **EXHIBIT 1** for the allocation of the reductions to the six university units. The motion **FAILED** 3 to 3 with **SEN. SWYSGOOD**, **REP. PECK** and **CHAIRMAN JOHNSON** opposed.

**Motion:** **SEN. SWYSGOOD** moved the adoption of the language proposed by **CHAIRMAN JOHNSON** in **EXHIBIT 4**.

**Discussion:** **REP. KADAS** asked for clarification on the level of tuition chosen for the language proposal. **Ms. Purdy** explained that the tuition revenue figure included what was in the LFA current level and the subcommittee recommendation at this point. It included 1991-92 enrollment, 1993 tuition levels and 1992 student mix. **REP. KADAS** asked if under the scenario of this proposal it were true that the tuition generated by the extra 400 students at MSU in FY93 would cause a like general fund reduction in the MSU budget. **CHAIRMAN JOHNSON** replied affirmatively. He said that if the Regents found this proposal unsatisfactory, they can respond. **REP. KADAS** said he did not agree that this was the way to proceed. **REP. PECK** stated that the proposal gave the committee a place to start and would support the motion anticipating that the Regents would get back to the full appropriations committee with their response.

**Vote:** The motion **FAILED** 3 to 3 with **SEN. BIANCHI**, **SEN. JACOBSON** and **REP. KADAS** opposed.

**Motion:** **REP. KADAS** moved the adoption of the second language proposal of **EXHIBIT 4**.

HOUSE EDUCATION & CULTURAL RESOURCES SUBCOMMITTEE

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**Discussion:** Ms. Purdy explained that by a previous motion of the committee the level of tuition mentioned in **EXHIBIT 4** had been appropriated. By not including the language, no intent by the committee regarding Regents tuition policy or the use of tuition budget amendments has been taken at this point. **REP. KADAS** asked if this situation was any different from how it was handled in the past. Ms. Purdy replied no.

**Motion:** The motion **FAILED** with **REP. PECK**, **SEN. SWYSGOOD** and **CHAIRMAN JOHNSON** opposed.


Ms. Purdy explained that if no further action was taken, the previous action of the committee stood, which would appropriate to the MUS the \$285.9 million including the level of tuition mentioned previously. **REP. KADAS** stated that this situation was similar to what had been done in the past.

**Motion/Vote:** **REP. PECK** moved the adjournment of the committee. The motion **CARRIED** unanimously.

ADJOURNMENT

Adjournment: 12:50 p.m.

  
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REP. ROYAL JOHNSON, Chair

  
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JACQUELINE BREHE, Secretary

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# HOUSE OF REPRESENTATIVES

EDUCATION

SUB-COMMITTEE

ROLL CALL

DATE

2-22-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ROYAL JOHNSON, CHAIRMAN	✓		
SEN. DON BIANCHI, VICE CHAIRMAN	✓		
REP. MIKE KADAS	✓		
SEN. (DENNIS NATHE) Judy Jacobson	✓		
REP. RAY PECK	✓		
SEN. CHUCK SWYSGOOD	✓		

Total Allocation of Reduction – Share of Total General Fund/Millage/Other

Unit	Total LFA		Share	Minus Reduction	Revised Total
	Gen Fund/Millage/ Other Funds	Budgeted FTE			
MSU	80,855,377	9,574	36.5%	5,280,116	75,575,261
UM	68,350,935	9,161	34.9%	5,052,344	63,298,591
EMC	24,468,853	3,274	12.5%	1,805,630	22,663,223
NMC	13,541,137	1,622	6.2%	894,542	12,646,595
WMCUM	8,174,808	945	3.6%	521,173	7,653,635
MCMST	17,913,306	1,653	6.3%	911,639	17,001,667
Total	213,304,416	26,229	100.0%	14,465,444	198,838,972

Total Funds

Unit	Total Revised		Additional Tuition	Revised Total	Over (Under) Current Subc
	Gen Fund/Millage/ Other Funds	Initial Tuition			
MSU	75,575,261	34,801,884		110,377,145	1,280,248
UM	63,298,591	36,942,572		100,241,163	7,054,750
EMC	22,663,223	10,069,988		32,733,211	(1,198,742)
NMC	12,646,595	4,930,226		17,576,821	(471,791)
WMCUM	7,653,635	2,884,574		10,538,209	36,482
MCMST	17,001,667	5,655,112		22,656,779	1,572,556
Total	198,838,972	95,284,356	0	294,123,328	8,273,503

EXHIBIT

2-22-93

Unit	Total LFA Gen Fund/Millage/ Other Funds	Budgeted FTE	Share	Minus Reduction	Revised Total
MSU	80,855,377	9,574	36.5%	8,300,076	72,555,301
UM	68,350,935	9,161	34.9%	7,942,030	60,408,905
EMC	24,468,853	3,274	12.5%	2,838,359	21,630,494
NMC	13,541,137	1,622	6.2%	1,406,175	12,134,962
WMCUM	8,174,808	945	3.6%	819,258	7,355,550
MCMST	17,913,306	1,653	6.3%	1,433,050	16,480,256
Total	213,304,416	26,229	100.0%	22,738,948	190,565,468

Unit	Total Revised Gen Fund/Millage/ Other Funds	Initial Tuition	Additional Tuition	Revised Total	Over (Under) Current Subc	Over (Under) LFA CL
MSU	72,555,301	34,801,884	2,656,768	110,013,953	917,056	(5,643,308)
UM	60,408,905	36,942,572	4,984,604	102,336,081	9,149,668	(2,957,426)
EMC	21,630,494	10,069,988	133,998	31,834,480	(2,097,473)	(2,704,361)
NMC	12,134,962	4,930,226	162,876	17,228,064	(820,548)	(1,243,299)
WMCUM	7,355,550	2,884,574	51,238	10,291,362	(210,365)	(768,020)
MCMST	16,480,256	5,655,112	284,020	22,419,388	1,335,165	(1,149,030)
Total	<u>190,565,468</u>	<u>95,284,356</u>	<u>8,273,504</u>	<u>294,123,328</u>	<u>8,273,503</u>	<u>(14,465,444)</u>

EXHIBIT 2  
DATE 2-22-93  
BY \_\_\_\_\_

**Total Allocation of Reduction – Share of Total General Fund/Millage/Other**

Unit	Total LFA		Budgeted FTE	Share	Minus Reduction	Revised Total
	Gen Fund/Millage/ Other Funds					
MSU	80,855,377	9,574	37.9%	8,619,447	72,235,930	
UM	68,350,935	9,161	32.0%	7,286,433	61,064,502	
EMC	24,468,853	3,274	11.5%	2,608,460	21,860,393	
NMC	13,541,137	1,622	6.3%	1,443,529	12,097,608	
WMCUM	8,174,808	945	3.8%	871,461	7,303,347	
MCMST	17,913,306	1,653	8.4%	1,909,617	16,003,689	
Total	213,304,416	26,229	100.0%	22,738,948	190,565,468	

**Total Funds**

Unit	Total Revised Gen Fund/Millage/ Other Funds	Initial Tuition	Additional Tuition	Revised Total	Over (Under) Current Subc	Over (Under) LFA CL
MSU	72,235,930	34,801,884	2,656,768	109,694,582	597,685	(5,962,679)
UM	61,064,502	36,942,572	4,984,604	102,991,678	9,805,265	(2,301,829)
EMC	21,860,393	10,069,988	133,998	32,064,379	(1,867,574)	(2,474,462)
NMC	12,097,608	4,930,226	162,876	17,190,710	(857,902)	(1,280,653)
WMCUM	7,303,347	2,884,574	51,238	10,239,159	(262,568)	(820,223)
MCMST	16,003,689	5,655,112	284,020	21,942,821	858,598	(1,625,597)
Total	190,565,468	95,284,356	8,273,504	294,123,328	8,273,503	(14,465,444)

3  
2-22-93

**Total Funds – Reduction Based Upon Total Funds, plus Tuition Indexing  
Tuition Indexing Revenue NOT in Revised Total Funds Available**

Unit	Total LFA All Funds	Plus Add Tuition	Plus Tuition Indexing*	Total All Funds	Budgeted FTE	Share	Minus Reduction	Revised Total	Over (Under) Current Subc	Over (Under) LFA CL
MSU	115,657,261	2,656,768	4,657,651	122,971,680	9,574	37.3%	8,486,297	109,827,732	730,835	(5,829,529)
UM	105,293,507	4,984,604	5,218,283	115,496,394	9,161	35.1%	7,970,426	102,307,685	9,121,272	(2,985,822)
EMC	34,538,841	133,998	1,130,432	35,803,271	3,274	10.9%	2,470,790	32,202,049	(1,729,904)	(2,336,792)
NMC	18,471,363	162,876	567,135	19,201,374	1,622	5.8%	1,325,090	17,309,149	(739,463)	(1,162,214)
WMCUM	11,059,382	51,238	334,220	11,444,840	945	3.5%	789,810	10,320,810	(180,917)	(738,572)
MCMST	23,568,418	284,020	731,383	24,583,821	1,653	7.5%	1,696,534	22,155,904	1,071,681	(1,412,514)
Total	308,588,772	8,273,504	12,639,104	329,501,380	26,229	100.0%	22,738,948	294,123,328	8,273,503	(14,465,444)

\*Derived total.

**POTENTIAL LANGUAGE  
HOUSE BILL 2**

1. "Total revenue received from tuition and fees that exceed \$47,642,178 in fiscal 1994 and \$47,642,178 in fiscal 1995 is appropriated to the Office of the Commissioner of Higher Education for distribution by the Board of Regents to the units of the Montana University System and must result in a general fund reversion of a like amount, in accordance with section 17-2-108 (2), MCA."

2. "The Education and Cultural Resources Subcommittee acknowledges that the budget process used to determine the 1995 biennium budgets for the six university units was a radical change from the previous years and that this budgeting process may have created some inequities in the total funding to the individual units of the Montana University System. This subcommittee asks that the Board of Regents review these potential inequities and suggest to the subcommittee or to the full Appropriations Committee their suggestions to solve these inequities and their suggested level of tuition change."

EX-104 4  
2-22-93

# VISITORS' REGISTER

**BILL NO.**

**SPONSOR (S)**

**PLEASE PRINT**

**S-13**